

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re)	Case No. 17-13797-B-9
)	
TULARE LOCAL HEALTHCARE)	DC No. WJH-4
DISTRICT,)	
)	Date: May 25, 2021
Debtor.)	Time: 9:30 a.m.
)	Department B, Judge Lastreto
)	Fifth Floor, Courtroom 13
)	2500 Tulare Street, Fresno, CA
)	

RULING ON OBJECTION TO CLAIM NO. 197

Before: René Lastreto II, Bankruptcy Judge

Riley C. Walter, WANGER JONES HELSLEY, PC, Fresno, CA, for
Tulare Local Health Care District, dba Tulare Regional Medical
Center, Debtor.

Grant Lien, Deputy Attorney General of California, Sacramento,
CA, for the Department of Health Care Services, Creditor.

RENÉ LASTRETO II, Bankruptcy Judge:

FACTS

On July 1, 2019, Tulare Local Healthcare District
("District") objected to Proof of Claim No. 197 filed by the
Department of Health Care Services ("DHCS") on April 6, 2018 in
an unspecified amount. Doc. #1512.

1 District contended that the claim should be disallowed in
2 its entirety for two reasons: (1) the claim does not specify an
3 amount; and (2) District provided all necessary information for
4 DHCS to reconcile reimbursement payments and liquidate its
5 claim. *Id.*

6 District did not file a notice of hearing on its objection
7 until several months later. Doc. #1948. The objection was
8 filed, served, and set for hearing pursuant to Local Rule of
9 Practice 3007-1(b)(2) and Fed. R. Bankr. P. 3007. DHCS's
10 assigned counsel was changed and District agreed to continue the
11 hearing on the objection. Doc. #2091

12 DHCS subsequently opposed the objection (Doc. #2130) and
13 filed a motion to amend the claim to over \$5.5 million. See
14 GL-1. The parties agreed to further continue the matter until
15 DHCS's motion to amend was resolved. On April 27, 2021, the
16 court issued a memorandum decision and denied DHCS's motion for
17 leave to amend the claim. Docs. ##2418-19.

18 After several continuances, a status conference on the
19 objection to claim was heard on May 25, 2021. Appearances were
20 noted on the record. At the hearing, neither party asked for
21 the opportunity to submit additional briefing or evidence to the
22 court. The matter was taken under submission.

23 24 JURISDICTION

25 The United States District Court for the Eastern District
26 of California has jurisdiction over this proceeding since it
27 arises in a case under Title 11 of the United States Code under
28 28 U.S.C. § 1334(b). This court has jurisdiction to hear and

1 determine this matter by reference from the District Court under
2 28 U.S.C. § 157(a). This is a "core" proceeding under 28 U.S.C.
3 §§ 157(b) (2) (A) and (B).

4
5 **DISCUSSION**

6 11 U.S.C. § 502(a) states that a claim or interest,
7 evidenced by a proof of claim filed under section 501, is deemed
8 allowed, unless a party in interest objects.

9 Fed. R. Bankr. P. 3001 provides that "[a] proof of claim is
10 a written statement setting forth a creditor's claim. A proof
11 of claim shall conform substantially to the appropriate Official
12 Form." Fed. R. Bankr. P. 3001(a).

13 Fed. R. Bankr. P. 3001(f) states that a proof of claim
14 executed and filed in accordance with these rules shall
15 constitute *prima facie* evidence of the validity and amount of
16 the claim. If a party objects to a proof of claim, the burden
17 of proof is on the objecting party. *Lundell v. Anchor Constr.*
18 *Specialists, Inc.*, 223 F.3d 1035, 1039 (B.A.P. 9th Cir. 2000).

19 Here, District argues that DHCS's claim should be
20 disallowed in its entirety because DHCS did not specify any
21 amount of alleged overpayments despite having all of the
22 necessary information to estimate a claim. Doc. #1512.

23 District notes that Official Form 410, Box 7, requires the
24 creditor to state the amount of the claim. DHCS instead stated
25 the amount was "[u]ndetermined at this time" in Box 7. DHCS
26 included a declaration from Shiela Mendiola stating:

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1 Final reconciliations are still pending for this
2 provider for all program years beginning in State Fiscal
3 Year 2002-03 until the bankruptcy filing in September
4 2017. A final reconciliation may result in a
5 determination of overpayment or additional reimbursement
6 (underpayment) for a particular year. The potential
overpayment or underpayment determination amounts and
timing for completion associated with the final
reconciliations are unknown at this time.

7
8 Claim #197, Ex. A.

9 DHCS's response does not address District's objection to
10 claim, instead focusing on the Ninth Circuit's "liberal" claim
11 amendment standard. Doc. #2130. DHCS's motion to amend claim
12 was heard and denied on April 27, 2021. Docs. ##2418-19. DHCS
13 has not presented any evidence in support of its opposition to
14 this objection, nor cited applicable authority supporting its
15 contention that a claim filed without a specified amount should
16 be allowed.

17 Moreover, DHCS concedes that that it had the information
18 available to calculate an estimated amount of its purported
19 claim in April 2018. "Since April 6, 2018, DHCS has audited the
20 cost reports for FY 2002-03 through FY 2015-16, using the
21 methodology described in paragraph 3, and can now estimate the
22 final reconciliation amount for that period to be an overpayment
23 of \$5,520,423.33." Doc. #2128, Ex. A-1.

24 DHCS could have amended its claim prior to the statutory
25 bar date for government claims. DHCS did not do so, instead
26 waiting until after the chapter 9 plan was confirmed, and after
27 its effective date had passed before filing its motion for leave
28 to amend.

1 District has established that Claim #197 does not comply
2 with Fed. R. Bankr. P. 3001(a) because no amount of the claim is
3 stated in Box 7. See *In re Milton*, 1990 Bankr. LEXIS 952
4 (Bankr. S.D. Cal. 1990) (finding that the IRS's proof of claim
5 is legally insufficient under Fed. R. Bankr. P. 3001 because it
6 fails to state an amount). So, the claim is not *prima facie*
7 evidence of the validity or the amount of the claim. Fed. R.
8 Bankr. P. 3001(f). The claim is deficient to assert a right to
9 payment. No amount is stated and DHCS had District's
10 information about an alleged claim much earlier. The claim does
11 not meet the requirements of a formal proof of claim.

12 Even under the informal proof of claim doctrine, Claim #197
13 is insufficient because it does not state the nature of the
14 claim nor an intent to hold District liable. To constitute an
15 informal proof of claim, the claim must include: (1) an explicit
16 demand showing the nature of the claim; (2) the amount of the
17 claim against the estate; and (3) an intent to hold the debtor
18 liable. *In re Sambo's Restaurant, Inc.*, 754 F.2d 811, 815 (9th
19 Cir. 1985); *Perry v. Certificate Holders of Thrift Sav.*, 320
20 F.2d 584, 590 (9th Cir. 1963); *In re Franciscan Vineyards, Inc.*,
21 597 F.2d 181, 183 (9th Cir. 1979) (per curium), *cert. den.*, 445
22 U.S. 915 (1980). Since the amount of the claim is unspecified
23 and there is no unequivocal intent to hold District liable,
24 DHCS's claim fails to satisfy the requirements under the
25 informal proof of claim doctrine.

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DHCS's claim is insufficient to constitute *prima facie* evidence of the amount of the claim under Fed. R. Bankr. P. 3001(f). DHCS's claim contains inadequate information to be allowed as an informal proof of claim. The court's ruling denying DHCS's motion to amend the claim is now final. Therefore, Claim #197 filed by the Department of Health Care Services on April 6, 2018 shall be disallowed in its entirety.

By the Court

René Lastreto II
René Lastreto II, Judge
United States Bankruptcy Court

1 **Instructions to Clerk of Court**
2 **Service List - Not Part of Order/Judgment**

3
4 The Clerk of Court is instructed to send the Order/Judgment
5 or other court generated document transmitted herewith to the
6 parties below. The Clerk of Court will send the Order via the
BNC or, if checked _____, via the U.S. mail.

7 Gregory S. Powell, Assistant U.S. Trustee
8 Office of the U.S. Trustee
9 United States Courthouse
10 2500 Tulare Street, Room 1401
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